

WEBVTT

00:00:04.020 --> 00:00:10.060

<v SPEAKER_1>Hello again, and welcome to Global Exchange, part of the Canadian Global Affairs Institute's Podcast Network.

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<v SPEAKER_1>I'm your host Colin Robertson.

00:00:12.100 --> 00:00:19.240

<v SPEAKER_1>On this episode, recorded on September the 3rd, we talk with Philip Coggan about his new book, The Economic Consequences of Mr.

00:00:19.240 --> 00:00:22.420

<v SPEAKER_1>Trump, What the Trade War Means for the World.

00:00:22.420 --> 00:00:38.600

<v SPEAKER_1>Philip Coggan is an economist and columnist for The Financial Times and the author of previous books, including Money, History of the World Economy, From the Iron Age to the Information Age, that I heartily recommend, and the forthcoming, Economics, The Economist Guide.

00:00:38.600 --> 00:00:40.160

<v SPEAKER_1>Welcome, Philip.

00:00:41.600 --> 00:00:43.400

<v SPEAKER_2>Thank you very much, Colin.

00:00:43.400 --> 00:00:45.260

<v SPEAKER_2>Thanks for having me on.

00:00:45.260 --> 00:00:51.500

<v SPEAKER_1>For listeners, in his assessment of the Trump tariffs, Coggan evokes satirist and journalist HL.

00:00:51.500 --> 00:01:01.260

<v SPEAKER_1>Mencken's observation that, quote, for every complex problem, there is an answer that is clear, simple, and wrong.

00:01:01.260 --> 00:01:15.840

<v SPEAKER_1>The new art of the deal, writes Coggan, comes down to understanding that Donald Trump makes excessive demands forcing the other party to, quote, show him the money in investment pledges or pay high tariffs, unquote.

00:01:16.560 --> 00:01:19.800

<v SPEAKER_1>For more by Coggan's The Economic Consequences of Mr.

00:01:19.800 --> 00:01:22.320

<v SPEAKER_1>Trump, What the Trade War Means for the World.

00:01:23.340 --> 00:01:29.340

<v SPEAKER_1>In my view, it's a necessary read to understand our current situation on trade, tariffs and Trump.

00:01:29.340 --> 00:01:30.900

<v SPEAKER_1>So let's begin.

00:01:30.900 --> 00:01:34.920

<v SPEAKER_1>Philip, why did you decide to write the book and explain the origins of your title?

00:01:35.960 --> 00:01:48.760

<v SPEAKER_2>We decided to write it in the immediate aftermath of April 2nd, Liberation Day as Trump called it, Ruination Day as the Economist called it, because it was such a dramatic economic policy step in the history of the world.

00:01:48.760 --> 00:02:04.140

<v SPEAKER_2>We'd essentially since 1945 had 80 years of lowering barriers to trade and globalization, which had brought over a billion people out of poverty and massively enhanced global trade.

00:02:04.140 --> 00:02:11.040

<v SPEAKER_2>The reason I chose the title was it was the exact 100th anniversary of Britain rejoining the gold standard.

00:02:11.940 --> 00:02:17.540

<v SPEAKER_2>John Maynard Keynes, the great economist, wrote a book called The Economic Consequences of Mr.

00:02:17.540 --> 00:02:18.240

<v SPEAKER_2>Churchill.

00:02:18.240 --> 00:02:22.280

<v SPEAKER_2>Because Winston Churchill was the British Finance Minister who put Britain on the gold standard.

00:02:22.280 --> 00:02:27.680

<v SPEAKER_2>It was, as Keynes rightly forecast, a great mistake and led to deflation.

00:02:28.960 --> 00:02:32.600

<v SPEAKER_2>I thought that Trump's move was a similar mistake.

00:02:32.600 --> 00:02:46.080

<v SPEAKER_2>Also, interestingly, similarly driven by nostalgia, Churchill was going back to the pre-1914 era when Britain was on the

gold standard, it had a very successful economy, lots of financial assets, and he wants to return that era.

00:02:46.080 --> 00:02:50.260

<v SPEAKER_2>But Britain had been so weakened by the First World War, it was impossible.

00:02:50.260 --> 00:03:03.700

<v SPEAKER_2>Trump is harkening to a sort of 1950s, 1960s era when men were men and they had a high-paying job with their wives at home in manufacturing and trying to get back to this sort of nostalgic era.

00:03:03.700 --> 00:03:09.840

<v SPEAKER_2>We are not returning to an era when 30 to 40 percent of the population works in manufacturing.

00:03:09.840 --> 00:03:16.240

<v SPEAKER_2>Technology has changed that for the good, and it is like Churchill's aim, a forlorn cause.

00:03:17.760 --> 00:03:22.540

<v SPEAKER_1>Philip, a forlorn cause and a return to, as you said, an earlier era.

00:03:22.540 --> 00:03:45.440

<v SPEAKER_1>But it also looks increasingly to those of us who are afflicted by the tariffs, that if you give access to the US market, in return, you've got to either invest in the United States, lower your tariffs for US exports, especially things like digital trade, where they don't want to see any rules, spend more money in defense, and who knows what else.

00:03:45.440 --> 00:03:47.900

<v SPEAKER_1>Is it, in a sense, an economic shakedown?

00:03:47.900 --> 00:03:48.840

<v SPEAKER_1>Churchill didn't try that.

00:03:48.840 --> 00:03:51.700

<v SPEAKER_1>He simply put the British on a different thing.

00:03:51.700 --> 00:04:02.900

<v SPEAKER_1>But what Trump is doing, as you say, the economic consequences, which I think we're starting to see, but I'd be interested in how you, if you think that it's simply more than a return to nostalgia.

00:04:04.000 --> 00:04:04.600

<v SPEAKER_2>Absolutely.

00:04:04.600 --> 00:04:10.220

<v SPEAKER_2>I think, as you say, Churchill's mistake affected the British economy largely and not the rest of the world.

00:04:10.220 --> 00:04:12.540

<v SPEAKER_2>Trump's economy affects all of us.

00:04:13.240 --> 00:04:17.640

<v SPEAKER_2>As you say, he's putting the protection racket back into protectionism.

00:04:17.680 --> 00:04:22.880

<v SPEAKER_2>It's sort of nice economy, you've got the shame if anything should happen to it type approach.

00:04:22.880 --> 00:04:42.300

<v SPEAKER_2>And he's using tariffs to demand all sorts of things, from not trying Bolsonaro, the former president of Brazil, to punishing Canada for recognizing Palestine on one explanation, to punishing India for buying Russian oil and not recommending him for the Nobel Peace Prize.

00:04:42.300 --> 00:04:46.580

<v SPEAKER_2>It's a sort of one size fits all type of device.

00:04:47.420 --> 00:04:51.580

<v SPEAKER_2>And secondly, I think, as you say, there are other countries are being asked to provide things.

00:04:51.580 --> 00:05:00.260

<v SPEAKER_2>To an extent, some of these are what I call unicorns, which is an unimportant concession to resolve negotiations.

00:05:00.260 --> 00:05:06.040

<v SPEAKER_2>So the EU said, oh yes, we'll invest 600 billion euros in the US economy.

00:05:06.040 --> 00:05:12.560

<v SPEAKER_2>And Trump started talking about how he'd spend it, but the EU commission has no authority to promise such a thing.

00:05:12.560 --> 00:05:17.100

<v SPEAKER_2>It's all gonna come from private companies, which the EU does not direct.

00:05:17.100 --> 00:05:25.040

<v SPEAKER_2>And so this is something that Trump can tweet about, but won't necessarily happen, and something similar happened with Japan.

00:05:25.040 --> 00:05:36.900

<v SPEAKER_2>So sometimes these concessions are real, having to change your tax policy, as Canada has done, and as Britain has done, it's a significant concession.

00:05:36.900 --> 00:05:42.500

<v SPEAKER_2>And sometimes it's not important, and it's all about handing him some kind of win, so he can crow about it.

00:05:43.720 --> 00:05:53.440

<v SPEAKER_1>Let me explore just a bit the private investment side of things that you described, that yes, the European Union can say we're going to do this, but ultimately it's business that does business and makes these decisions.

00:05:53.440 --> 00:06:07.840

<v SPEAKER_1>Given the economic instability caused by the tariffs coming and going, and who knows what's next, doesn't that act as a deterrent for the kind of foreign investment or a return of offshore investment that Trump is trying to secure the reshoring?

00:06:07.840 --> 00:06:20.200

<v SPEAKER_2>Of course it does, because he has put tariffs up, he's brought them down, he's put them on some countries, he's not put them on others, he put them on some products and not on others, and put them up and taken them away again.

00:06:20.200 --> 00:06:23.160

<v SPEAKER_2>All these things in a matter of six months since he took office.

00:06:23.160 --> 00:06:29.580

<v SPEAKER_2>And in that climate, if you're a business, why would you go out and invest in a particular country or a particular sector?

00:06:29.580 --> 00:06:32.020

<v SPEAKER_2>Because you're not certain as to what's going to happen.

00:06:32.020 --> 00:06:33.860

<v SPEAKER_2>You want to wait for it all to settle down.

00:06:33.860 --> 00:06:41.960

<v SPEAKER_2>Now, the chances are, given his nature, there's another three and a half years of this and it may never settle down, and that does discourage business investment.

00:06:41.960 --> 00:06:56.300

<v SPEAKER_2>But in some respect to it, which we ought to acknowledge, it's a bit economic-y, but he is worried about the current account deficit, which means that the US imports more goods and services than it exports.

00:06:56.300 --> 00:07:10.180

<v SPEAKER_2>But any current account deficit is matched because the balance of payments must balance by a capital account surplus, that's money flowing into the US in investment in the form of equities, treasury bonds, cash, whatever.

00:07:10.180 --> 00:07:21.280

<v SPEAKER_2>Now, if you try and make other countries invest, put money into it, that increases the current account surplus of the US, because more money is flowing in.

00:07:21.280 --> 00:07:27.940

<v SPEAKER_2>By the logic of maths, the current account deficit must increase if the capital account surplus goes up.

00:07:27.940 --> 00:07:33.280

<v SPEAKER_2>Sorry, the current account deficit must go up as well.

00:07:33.280 --> 00:07:40.840

<v SPEAKER_2>The aim for foreign investment is actually countering his supposedly overarching aim of bringing down the trade deficit.

00:07:42.360 --> 00:07:48.020

<v SPEAKER_1>I read a piece in the Foreign Affairs, Adam Pozen written from the Peterson Institute.

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<v SPEAKER_1>He says that we've, quote, arrived at the post-American world economy with Trump switching the United States role from, as he put it, quote, global insurer to extractor of profit.

00:08:01.580 --> 00:08:02.680

<v SPEAKER_1>Sound about right?

00:08:02.680 --> 00:08:06.260

<v SPEAKER_1>When I'm listening to it, it sounds that that's what he's trying to do.

00:08:07.660 --> 00:08:12.120

<v SPEAKER_2>And it's, I think, an enormous loss of US soft power.

00:08:12.120 --> 00:08:25.700

<v SPEAKER_2>If you think about what happened after the Second World War, the US learned the lesson which the victors of the First World War, about which Trump wrote another, sorry, about which Keynes wrote a book, The Economic Consequences of Peace, they'd made a mistake.

00:08:25.700 --> 00:08:34.800

<v SPEAKER_2>And the US recognized after the Second World War, it was

good if your allies and even your defeated opponents prospered because it meant that you sold more goods.

00:08:34.800 --> 00:08:39.420

<v SPEAKER_2>So they wrote through the Marshall Plan to help Europe recover.

00:08:39.420 --> 00:08:44.420

<v SPEAKER_2>And they started the General Agreement on Tariffs and Trade, which lowered tariff barriers.

00:08:44.420 --> 00:08:46.840

<v SPEAKER_2>And that was great news for US businesses.

00:08:48.260 --> 00:08:57.040

<v SPEAKER_2>And as a consequence of that, the US, which was by far the largest economy, was accepted as the global leader of the democratic world.

00:08:57.040 --> 00:09:05.480

<v SPEAKER_2>Countries were happy to defer to it, sometimes even go along with it in wars, even when they might have thought they were unwise.

00:09:05.480 --> 00:09:12.240

<v SPEAKER_2>And that US soft power means that US brands are very attractive, that US culture exports around the world.

00:09:12.240 --> 00:09:15.280

<v SPEAKER_2>Now, he's really doing away with all of this.

00:09:15.280 --> 00:09:22.280

<v SPEAKER_2>You saw it in your own election in Canada when Mark Carney won by essentially being the anti-Trump candidate.

00:09:22.280 --> 00:09:24.060

<v SPEAKER_2>It happened in Australia too.

00:09:24.060 --> 00:09:25.240

<v SPEAKER_2>Now, that's extraordinary.

00:09:25.240 --> 00:09:34.900

<v SPEAKER_2>You can't think of the last 80 years that a candidate in a Democratic election would win by being the opponent of the US president.

00:09:34.900 --> 00:09:38.500

<v SPEAKER_2>So that US soft power is very valuable economically.

00:09:38.500 --> 00:09:41.640

<v SPEAKER_2>You can't see it in the day-to-day data, but it does matter.

00:09:41.640 --> 00:09:56.980

<v SPEAKER_2>And we're also seeing, for example, we've just seen India's president Modi travel to Beijing to meet with Xi Jinping and Putin and the North Korean leader.

00:09:56.980 --> 00:10:02.580

<v SPEAKER_2>And India had been the best bulwark against Chinese power in Asia that you could have.

00:10:02.580 --> 00:10:05.500

<v SPEAKER_2>It's a country with similar number of people.

00:10:05.500 --> 00:10:15.860

<v SPEAKER_2>But by his tariffs, which were petty in their motivation, the US seems to be driving India into the arms of China.

00:10:15.860 --> 00:10:26.420

<v SPEAKER_2>So it's a real loss of leadership that will be very difficult to recover because other countries will worry whether they can ever trust the US again.

00:10:26.420 --> 00:10:43.120

<v SPEAKER_1>Philip, I watch all this and I sort of say, why can't the rest of whether it be the G7 or the European Union, or as you say, like-minded, which would include India and others, why, you know, we have economic weight and interests.

00:10:43.120 --> 00:10:45.800

<v SPEAKER_1>We can't seem to get our act together.

00:10:45.800 --> 00:11:00.660

<v SPEAKER_1>Watching recent events, particularly with the European Union, where they've basically agreed, okay, we'll take a 15% tariff and we'll make, as you pointed out earlier, do this investment, and yes, we're going to buy more American arms and things.

00:11:00.660 --> 00:11:02.880

<v SPEAKER_1>How is he getting away with it?

00:11:04.400 --> 00:11:06.640

<v SPEAKER_2>He has been picking them off one by one.

00:11:06.640 --> 00:11:11.520

<v SPEAKER_2>It's very difficult to stand out from the crowd or encourage everybody else.

00:11:11.520 --> 00:11:21.280

<v SPEAKER_2>It's the old prisoner's dilemma of worrying that you might act properly, but the guy in the next cell might decide to turn you in.

00:11:22.400 --> 00:11:24.680

<v SPEAKER_2>So I think that's the difficulty.

00:11:24.680 --> 00:11:27.420

<v SPEAKER_2>The EU in particular is divided among itself.

00:11:27.420 --> 00:11:31.420

<v SPEAKER_2>Of course, that France and Germany don't always agree.

00:11:31.420 --> 00:11:38.160

<v SPEAKER_2>The Eastern European countries are less keen to take an anti-Russian line or some of them hungry in particular.

00:11:38.160 --> 00:11:43.380

<v SPEAKER_2>So it's quite hard to corral all these countries together.

00:11:43.380 --> 00:11:48.120

<v SPEAKER_2>I think in the long run, if the US continues to act this way, something will happen.

00:11:48.120 --> 00:12:00.500

<v SPEAKER_2>The EU will recognize that it's worth setting up agreements with Canada, Australia, South America, and of course the US is less important in terms of global trade than it is in terms of the global economy.

00:12:00.500 --> 00:12:07.400

<v SPEAKER_2>So we could get by if we had a free trading system with the rest of the world except for the US.

00:12:07.400 --> 00:12:11.440

<v SPEAKER_2>But it's not something that's going to happen overnight, unfortunately.

00:12:11.980 --> 00:12:14.660

<v SPEAKER_1>So you think that that's probably where we're headed.

00:12:14.660 --> 00:12:16.820

<v SPEAKER_1>Does the World Trade Organization play any role in that?

00:12:16.820 --> 00:12:23.100

<v SPEAKER_1>It seems to have become impotent over the last few years, ending of its ability to fall.

00:12:23.340 --> 00:12:30.140

<v SPEAKER_2>So in the first Trump administration, there's an appellate body, which means that if there's a dispute between two countries, it goes to this appeals court.

00:12:30.140 --> 00:12:40.240

<v SPEAKER_2>It needs a quartet of appointees to the panel, and Trump stopped agreeing to the appointment of people, and Biden, to his discredit, didn't correct the situation.

00:12:40.240 --> 00:12:44.520

<v SPEAKER_2>So yes, the WTO has lost its bite.

00:12:44.520 --> 00:12:51.700

<v SPEAKER_2>But that's not to say that other countries can't do agreements together, and there's a great advantage in them doing so.

00:12:52.860 --> 00:12:59.360

<v SPEAKER_2>And I think the other thing is that it may take time for us to see what happens to the US economy.

00:12:59.360 --> 00:13:08.640

<v SPEAKER_2>Over in Britain, we feel pretty badly about how our economy is growing, but the UK economy actually grew faster than the US economy in the first half of the year.

00:13:08.640 --> 00:13:13.220

<v SPEAKER_2>It's not just, of course, Trump's trade policy that the US has to worry about.

00:13:13.220 --> 00:13:20.700

<v SPEAKER_2>There's the attacks on the independence of the Federal Reserve, which may in the end lead to higher bond yields and higher inflation.

00:13:21.300 --> 00:13:31.140

<v SPEAKER_2>There is the complete clampdown on immigration, which has been the most significant factor in increasing the labor force in recent years.

00:13:31.140 --> 00:13:34.520

<v SPEAKER_2>And if you can't increase your labor force, it's very hard to join the economy.

00:13:34.520 --> 00:13:39.380

<v SPEAKER_2>There's the attack on science in terms of the elite universities and the health sector.

00:13:39.380 --> 00:13:47.300

<v SPEAKER_2>We've just saw the Centers for Disease Control get torn apart by Trump's health secretary, Robert F.

00:13:47.300 --> 00:13:47.960
<v SPEAKER_2>Kennedy Jr.

00:13:48.320 --> 00:13:57.860
<v SPEAKER_2>There's a whole bunch of things that don't necessarily show up in the next quarter or so, but over the long run are likely to diminish US growth and worsen US inflation.

00:13:57.860 --> 00:14:00.480
<v SPEAKER_2>His policy is essentially stagflation.

00:14:00.480 --> 00:14:04.840
<v SPEAKER_1>I think you used in your recent piece, was it the cycle of doom or something that's going on in the United States?

00:14:04.840 --> 00:14:12.760
<v SPEAKER_1>And really it seemed to be appropriate for the situation that the United States has, and Donald Trump has put itself in.

00:14:12.760 --> 00:14:24.080
<v SPEAKER_2>Well, I think I was quoting Ray Dalio, who's a hedge fund manager, retired hedge fund manager, who's talked about the cycle of doom, and he's worried about the authoritarianism of Trump.

00:14:24.080 --> 00:14:35.220
<v SPEAKER_2>And he uses the example of the 1930s, when the economy is struggling and authoritarians emerged because they seem to offer an answer.

00:14:35.220 --> 00:14:44.720
<v SPEAKER_2>And that's the appeal of Trump to his supporters, that he's offering an answer when conventional politicians don't seem to crack the problem of growing the economy.

00:14:45.980 --> 00:14:47.180
<v SPEAKER_2>But he doesn't offer an answer.

00:14:47.180 --> 00:14:57.200
<v SPEAKER_2>And there was a good study in the FT a couple of weeks ago, which showed that populist governments tend to have weaker economic growth than conventional governments.

00:14:57.540 --> 00:15:01.140
<v SPEAKER_2>It's some fake potion that he's offering.

00:15:01.140 --> 00:15:04.840
<v SPEAKER_2>But it will take time again for people to realize that.

00:15:04.840 --> 00:15:30.260

<v SPEAKER_2>And then you have to worry in 2028 whether the election will be completely fair and that Trump gets allowed to run again or his chosen successor is allowed to run, whether it will be possible to defeat him because of things like stopping people from voting, gerrymandered Congress districts and so on.

00:15:30.260 --> 00:15:35.980

<v SPEAKER_2>So it's quite frightening in the long run that we are seeing this deterioration.

00:15:36.160 --> 00:15:37.800

<v SPEAKER_2>And we're seeing it not just in the US.

00:15:38.500 --> 00:15:42.500

<v SPEAKER_2>In the UK, Farage's party is in the lead.

00:15:42.500 --> 00:15:46.440

<v SPEAKER_2>In the opinion polls, in Germany, we have the alternative of Deutschland.

00:15:46.440 --> 00:15:48.820

<v SPEAKER_2>We have Marine Le Pen in France.

00:15:49.080 --> 00:15:57.340

<v SPEAKER_2>It's not impossible that we could have far-right leaders in control of much of the democratic world in say four or five years time.

00:15:57.360 --> 00:16:04.660

<v SPEAKER_1>Oh, and you spoke of authoritarians and you mentioned Modi, Modi being in Beijing for the Shanghai Cooperation Organization the last few days.

00:16:06.640 --> 00:16:09.460

<v SPEAKER_1>Where does Xi Jinping and China fit into all this?

00:16:09.460 --> 00:16:11.760

<v SPEAKER_1>And what do you think is their game?

00:16:11.880 --> 00:16:18.340

<v SPEAKER_1>We see today this extraordinary parade of military prowess, hypersonic missiles, drones.

00:16:18.340 --> 00:16:29.840

<v SPEAKER_1>Really, the China portraying itself as if not the equal, at least in certain areas, probably ahead of the United States in use of technology and warfare.

00:16:29.840 --> 00:16:50.940

<v SPEAKER_2>Yes, our former Foreign Secretary William Hague wrote

about this earlier this week, saying that there's been a series of presence basically offered by Trump to Xi Jinping, because in the past, China's aggression in the South China Sea, its support for authoritarian regimes, might have stopped some countries from allying with it.

00:16:50.940 --> 00:16:56.100

<v SPEAKER_2>But now it seems relatively an ocean of stability relative to the US.

00:16:56.100 --> 00:17:03.880

<v SPEAKER_2>It's not insisting on other countries changing their policies to suit the Chinese leadership.

00:17:03.880 --> 00:17:09.580

<v SPEAKER_2>It offers lots of grants and aid and cheaper loans and all that sort of thing.

00:17:09.580 --> 00:17:15.820

<v SPEAKER_2>It's still an economy that's growing at a reasonable rate faster than the US, faster than Europe certainly.

00:17:15.820 --> 00:17:23.120

<v SPEAKER_2>It looks a relatively much more attractive partner than the US does to countries in the developing world.

00:17:23.120 --> 00:17:24.400

<v SPEAKER_2>That's a worry again.

00:17:24.800 --> 00:17:29.700

<v SPEAKER_2>It's back to the soft power that I mentioned earlier that the US has, which is being eroded.

00:17:29.840 --> 00:17:50.080

<v SPEAKER_2>So we can go back perhaps 100 years before the First World War, when there was a period when instead of Britain ruling the waves in the Victorian era, you had a whole succession of rising powers, Germany, the US, Japan, and so on, competing for global leadership.

00:17:50.080 --> 00:17:55.500

<v SPEAKER_2>The result was not only turbulence, but eventually conflict.

00:17:55.500 --> 00:17:58.380

<v SPEAKER_2>That's another worry we must inevitably have.

00:17:58.380 --> 00:18:01.600

<v SPEAKER_2>You are emboldening the Chinese leadership.

00:18:01.600 --> 00:18:08.240

<v SPEAKER_2>If I was leading by one, I wouldn't be too confident that Trump would come to my aid if China invades.

00:18:08.240 --> 00:18:11.640

<v SPEAKER_3>Hi, I'm Dave Perry, the President and CEO of the Canadian Global Affairs Institute.

00:18:11.640 --> 00:18:16.260

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00:18:16.260 --> 00:18:25.120

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00:18:25.120 --> 00:18:31.220

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00:18:31.220 --> 00:18:43.000

<v SPEAKER_1>No, and the Chinese are offering an alternative model of world leadership that really has no place for human rights or diversity or those things that we in the West sort of cherish.

00:18:43.000 --> 00:19:00.620

<v SPEAKER_1>And I guess that's part of what the attraction, although because Trump, having turned his back on the American-led order as previous presidents to find it, where it does appear, we're kind of floundering as we point out that no one seems to have come to the fore in trying to lead.

00:19:00.620 --> 00:19:14.660

<v SPEAKER_1>We look at coalitions of the willing around Ukraine, but it's hard to see, hard to draw a lot of, shall we say, sense that things will improve.

00:19:16.240 --> 00:19:22.300

<v SPEAKER_2>You know, China can, you might say China doesn't stand up for human rights, but the US is not currently standing up for human rights, right?

00:19:22.300 --> 00:19:26.020

<v SPEAKER_2>So, you know, it's deporting people without trial.

00:19:26.020 --> 00:19:33.300

<v SPEAKER_2>It is not bothered at all whether other countries break their human rights.

00:19:33.300 --> 00:19:39.560

<v SPEAKER_2>And it is, you know, much more of a global bully than China appears to be.

00:19:39.560 --> 00:19:45.760

<v SPEAKER_2>Though of course China is a bully, but only in a particular part of Asia.

00:19:45.760 --> 00:19:49.120

<v SPEAKER_1>Philip, you look at the long run of history in your various books.

00:19:49.120 --> 00:20:01.560

<v SPEAKER_1>What lessons are you drawing from the Trump experience that how fragile our system actually was and it really did depend on one country and arguably one person, the President of the United States?

00:20:01.560 --> 00:20:03.080

<v SPEAKER_2>Yes, it's concerning, isn't it?

00:20:03.080 --> 00:20:10.280

<v SPEAKER_2>Because I think globalization seem to be kind of have an inevitable force behind it.

00:20:10.280 --> 00:20:14.440

<v SPEAKER_2>And it may well be, remember, the global trade hasn't sort of disappeared.

00:20:14.440 --> 00:20:18.400

<v SPEAKER_2>It may well be it's stronger than Trump can deal with.

00:20:18.500 --> 00:20:24.380

<v SPEAKER_2>But I would worry not just about the trade, but again, coming back to the attacks on the Federal Reserve.

00:20:24.380 --> 00:20:38.360

<v SPEAKER_2>If you go back to various points in the last 20 or 30 years, when we've had financial crisis, the Federal Reserve has stepped in to help other countries with central bank dollar swaps or loans or whatever.

00:20:38.360 --> 00:20:45.340

<v SPEAKER_2>And I'm again, I'm not very confident that it would do the same thing in a 2026, 2027 crisis.

00:20:46.920 --> 00:20:59.060

<v SPEAKER_2>And I think the lesson is that if lots of people have written about the clues to economic growth, but one of the most

important factors is institutions.

00:20:59.060 --> 00:21:12.100

<v SPEAKER_2>And it was institutions that had laws that allowed people to build businesses, that allowed them to keep profits of their businesses, that allowed for intellectual exchange of ideas.

00:21:13.280 --> 00:21:19.020

<v SPEAKER_2>These helped the West to grow significantly from the 1750 on.

00:21:19.020 --> 00:21:24.920

<v SPEAKER_2>But those institutions are being undermined by Trump and by others in other countries.

00:21:24.920 --> 00:21:27.680

<v SPEAKER_2>And that's an extreme worry.

00:21:27.680 --> 00:21:34.760

<v SPEAKER_2>And it's very difficult to see how it turns around in the short term.

00:21:34.760 --> 00:21:50.760

<v SPEAKER_2>If, and you don't really want to wish this, but if the US economy does badly enough in the next two or three years, there is, of course, the chance that the US voters will turn on Trump and his acolytes in the way that they turned on other parties in the past.

00:21:50.760 --> 00:21:53.100

<v SPEAKER_2>And something changes.

00:21:53.100 --> 00:21:55.240

<v SPEAKER_2>And that's quite possible.

00:21:55.240 --> 00:21:59.040

<v SPEAKER_2>In Poland, we got rid of an authoritarian-ish government.

00:21:59.040 --> 00:22:01.340

<v SPEAKER_2>In Hungary, the economy is doing badly.

00:22:01.340 --> 00:22:04.420

<v SPEAKER_2>There's a chance that government might fall at some point.

00:22:05.600 --> 00:22:15.660

<v SPEAKER_2>So eventually, because these policies the authority ends tend to pursue don't make sense, eventually this should lead to their downfall.

00:22:15.660 --> 00:22:20.080

<v SPEAKER_2>But we have a very unpleasant time ahead of us until it happens.

00:22:20.080 --> 00:22:27.200

<v SPEAKER_1>When I had opened up more again to look through, and one of the things that struck me is that when you talked about institutions, these institutions are rules-based.

00:22:27.200 --> 00:22:32.380

<v SPEAKER_1>It gives confidence to those who invest and those who draw from it.

00:22:32.460 --> 00:22:35.980

<v SPEAKER_1>It provided stability and it really did put the West ahead.

00:22:35.980 --> 00:22:45.820

<v SPEAKER_1>Those rules-based institutions, is that the glue that really allowed, arguably the triumph of the West and allowed globalization?

00:22:45.820 --> 00:22:58.980

<v SPEAKER_1>Because you had confidence, if you were an investor, that you could secure your investment in a system where it wasn't rigged.

00:23:00.900 --> 00:23:12.260

<v SPEAKER_2>Absolutely, and the absolute monarchs, France or Spain, which were very powerful in 1700, 1600, 1700 didn't display that.

00:23:12.320 --> 00:23:20.700

<v SPEAKER_2>Then suddenly we saw Britain and the Netherlands, which were run by merchants, essentially come through and start to challenge them.

00:23:20.700 --> 00:23:31.240

<v SPEAKER_2>Then of course the US, which was very much rising men type, not a monarchy, but a rising merchant type economy.

00:23:32.620 --> 00:23:36.440

<v SPEAKER_2>You're absolutely right with the institutions and trust.

00:23:36.440 --> 00:23:38.680

<v SPEAKER_2>Francis Fukuyama has written about this.

00:23:38.680 --> 00:23:42.120

<v SPEAKER_2>It's trust that makes the global economy run.

00:23:42.500 --> 00:23:51.780

<v SPEAKER_2>We trust each other when we put a credit card down, that the person at the other end of the transaction is not going to take

our details and steal them.

00:23:51.780 --> 00:23:59.840

<v SPEAKER_2>We trust when we order goods to arrive online from Amazon, whoever, that they will arrive the next day, and we don't have to spend the rest of the month chasing them.

00:24:00.400 --> 00:24:08.300

<v SPEAKER_2>And companies trust when they sell us goods on credit, that they will pay for them eventually.

00:24:08.300 --> 00:24:14.300

<v SPEAKER_2>And Trump doesn't like any obligations that restrict his freedom of movement.

00:24:14.300 --> 00:24:21.940

<v SPEAKER_2>He isn't very fond of NATO, clearly, because it would require the US to come to the defence of other countries.

00:24:21.940 --> 00:24:23.720

<v SPEAKER_2>He clearly hated the WTO.

00:24:23.900 --> 00:24:26.660

<v SPEAKER_2>He's withdrawn from the World Health Organization.

00:24:26.660 --> 00:24:29.880

<v SPEAKER_2>He doesn't like the United Nations, all these things.

00:24:29.880 --> 00:24:48.360

<v SPEAKER_2>And what, again, to go back to 1945 and afterwards, what happened was the US, rather than, you know, roughshod over the rest of the world, agreed to abide by the rules of international organizations like the UN, GATT, which was the forerunner of the WTO, set up these things.

00:24:48.360 --> 00:24:51.240

<v SPEAKER_2>And that's one of the reasons why the West did well again.

00:24:51.240 --> 00:24:55.860

<v SPEAKER_2>And then eventually, I think, won out over communism in the Cold War.

00:24:55.860 --> 00:25:01.320

<v SPEAKER_2>And again, these elements of trust are being eroded in the current climate.

00:25:01.320 --> 00:25:02.380

<v SPEAKER_1>I think that's exactly right.

00:25:02.380 --> 00:25:04.140
<v SPEAKER_1>You mentioned Fukuyama.

00:25:04.140 --> 00:25:07.920
<v SPEAKER_1>His colleague at Hoover, of course, was George Shultz, who I got to know slightly.

00:25:07.920 --> 00:25:21.840
<v SPEAKER_1>And Shultz would remind me consistently, trust is the coin of the realm when it comes to statecraft and was vital for American leadership in the world, which I don't think anybody trusts Donald Trump anymore.

00:25:23.640 --> 00:25:26.560
<v SPEAKER_2>We talk about the art of the deal, but he's really a deal breaker, isn't he?

00:25:26.560 --> 00:25:27.820
<v SPEAKER_2>Not a deal maker.

00:25:27.820 --> 00:25:33.200
<v SPEAKER_2>Canada and Mexico did a deal with the US in 2017.

00:25:33.200 --> 00:25:38.120
<v SPEAKER_2>I think it came in 2018, the US-Mexico-Canada agreement.

00:25:38.120 --> 00:25:45.200
<v SPEAKER_2>And they were the first two countries to get picked on when he came back to office in 2025 even though he'd lauded that deal when it came through.

00:25:46.240 --> 00:25:48.780
<v SPEAKER_2>You can't rely on him to keep to anything.

00:25:48.780 --> 00:25:55.900
<v SPEAKER_2>When he announces a deal, it's not written down on paper, so you're not quite sure what it means.

00:25:55.900 --> 00:26:00.300
<v SPEAKER_2>And when it comes to peace negotiations, you know, it's another example.

00:26:00.300 --> 00:26:17.000
<v SPEAKER_2>Peace negotiations in places like, say, Northern Ireland, where you had George Mitchell was very influential, Bill Clinton, it takes years, it takes slogging through the detail, and it takes patience, and none of those things Trump has.

00:26:17.000 --> 00:26:37.900
<v SPEAKER_2>So it's not really surprising he hasn't sorted out

Ukraine and Russia, and it's not really surprising that he's not going to do anything to constrain Israel and its actions in Gaza, because he doesn't have the patience to see the gray areas or to act as an honest broker between two sides.

00:26:37.900 --> 00:26:42.840

<v SPEAKER_1>Do you think that's what will save us in the end, his impatience, his lack of concentration?

00:26:42.840 --> 00:26:46.840

<v SPEAKER_1>Because eventually all this stuff does come home to roost, I think.

00:26:49.840 --> 00:27:00.180

<v SPEAKER_2>You know, before his election, a lot of people thought that the US Constitution would save us, because it had in 2021, just, right?

00:27:00.900 --> 00:27:03.640

<v SPEAKER_2>They didn't allow him to steal the election.

00:27:03.640 --> 00:27:06.860

<v SPEAKER_2>Congress did vote for Biden to go through and all the rest of it.

00:27:06.860 --> 00:27:12.640

<v SPEAKER_2>But since he's come back in office, the constraints have been virtually absent.

00:27:12.640 --> 00:27:15.480

<v SPEAKER_2>The courts may rule at lower levels.

00:27:15.480 --> 00:27:21.320

<v SPEAKER_2>We've yet to see the Supreme Court significantly constraining Congress as absolutely nothing.

00:27:21.320 --> 00:27:34.700

<v SPEAKER_2>The press, unfortunately, has in some cases been neutered by lawsuits and even the firing of late night comic presenters.

00:27:35.660 --> 00:27:38.420

<v SPEAKER_2>It's difficult to see how he's constrained.

00:27:38.420 --> 00:27:47.900

<v SPEAKER_2>One would hope in 2028, the Supreme Court might see there's a constitutional amendment that stops a president running for a third term.

00:27:47.900 --> 00:27:50.240

<v SPEAKER_2>It's hard to see how you can get around that.

00:27:50.340 --> 00:27:56.080

<v SPEAKER_2>You would hope that would be a constraint, but that's one of the few ones that might hold.

00:27:56.100 --> 00:27:57.240

<v SPEAKER_1>Or simply age.

00:27:57.240 --> 00:27:59.260

<v SPEAKER_1>Age, of course.

00:27:59.860 --> 00:28:01.960

<v SPEAKER_1>The wear of the office.

00:28:02.680 --> 00:28:04.680

<v SPEAKER_2>Yes, yes.

00:28:04.680 --> 00:28:09.680

<v SPEAKER_2>It's not like he burns the camel at both ends in terms of office work, however.

00:28:09.680 --> 00:28:13.620

<v SPEAKER_1>No, no, although he does seem to be a nocturnal beast watching television all night.

00:28:13.620 --> 00:28:16.200

<v SPEAKER_1>Look, any advice for Canada at home and Mr.

00:28:16.200 --> 00:28:19.040

<v SPEAKER_1>Carney, who really does, I think, understand economics.

00:28:19.460 --> 00:28:23.240

<v SPEAKER_1>And you would have got to know probably when he was governor of the Bank of England.

00:28:23.240 --> 00:28:31.720

<v SPEAKER_1>He's trying to reduce our internal trade barriers, at the same time build the infrastructure to make us more competitive and then diversify our trade and of course is reaching out.

00:28:31.720 --> 00:28:39.100

<v SPEAKER_1>And he's also said that if the United States won't lead, Canada would play a role here because he sees the value of the system.

00:28:39.100 --> 00:28:48.200

<v SPEAKER_1>But for now, we're still in negotiations for a new security and economic framework, as he puts it, with the United States because of our heavy dependence.

00:28:48.260 --> 00:28:50.060

<v SPEAKER_1>I mean, you can't change geography.

00:28:50.060 --> 00:28:51.420

<v SPEAKER_1>We are next door.

00:28:51.420 --> 00:28:54.480

<v SPEAKER_1>It has been a very successful relationship.

00:28:54.480 --> 00:28:56.380

<v SPEAKER_1>They take 75% of our exports.

00:28:56.380 --> 00:28:59.840

<v SPEAKER_1>We buy 60% of imports come from them.

00:28:59.840 --> 00:29:02.120

<v SPEAKER_1>That is evolving.

00:29:02.120 --> 00:29:08.980

<v SPEAKER_1>But I'd be interested when you look at the Canadian situation, any advice for us?

00:29:10.320 --> 00:29:14.280

<v SPEAKER_2>Well, the things that you start off by saying he was doing are the sensible things to do.

00:29:15.120 --> 00:29:24.340

<v SPEAKER_2>Reduce internal barriers, look for other people to trade with, and diversify the economy as much as you can.

00:29:24.340 --> 00:29:31.080

<v SPEAKER_2>The great problem, I could use a cricketing analogy, which won't mean much to Canadians.

00:29:31.080 --> 00:29:48.120

<v SPEAKER_2>But maybe the American football analogy is the right one, is that you are three yards from goal with the quarterback trying to get out of a difficult situation because you are so dependent on US trade.

00:29:48.120 --> 00:29:56.760

<v SPEAKER_2>And there is the risk, any risky move you do will cause the quarterback to get sacked or there to be an interception or whatever.

00:29:56.760 --> 00:29:59.900

<v SPEAKER_2>It's a very difficult starting situation.

00:30:01.060 --> 00:30:15.220

<v SPEAKER_2>And a combination of giving ground where it doesn't cost a lot to give Trump a win, and standing firm where it's a vital

national interest is probably the best combination.

00:30:15.220 --> 00:30:24.500

<v SPEAKER_2>But I'm glad I didn't have to negotiate as Mark Carney does because it really is difficult.

00:30:24.500 --> 00:30:28.620

<v SPEAKER_2>It's like kind of sharing a bus seat with a guy who's 350 pounds.

00:30:28.840 --> 00:30:32.180

<v SPEAKER_2>There's not much room to get comfortable.

00:30:32.240 --> 00:30:43.580

<v SPEAKER_1>Again, I sort of come back to we, Carney is trying to reach out and talk to, for a very first visit after he'd Prime Minister for a day, flew off to Paris to see Macron, then went to see Keir Starmer in London.

00:30:43.580 --> 00:30:51.700

<v SPEAKER_1>And he's just finished his tour of Europe, both with order book and hands saying, we will get you our oil and gas if that's what you need.

00:30:51.700 --> 00:30:54.120

<v SPEAKER_1>But we're not, we don't seem to be making a lot of headway.

00:30:54.120 --> 00:31:16.240

<v SPEAKER_1>And yet you would think there would be a real value in, and the Europeans have talked about this, coming together, because as you pointed out earlier, there's enough like-minded that while it can't replace the current system, it can at least offer a different alternative than simply the chaos that we're heading towards.

00:31:17.600 --> 00:31:21.080

<v SPEAKER_2>The unfortunate thing is, of course, European leaders have their own constraints.

00:31:21.080 --> 00:31:41.640

<v SPEAKER_2>So Macron is going to leave office in 2027, doesn't control parliament, which is massively divided, doesn't always agree with the Germans, and Friedrich Mertz in Germany leads a coalition, which is just about hangs together, but has the AFD breathing down his neck.

00:31:41.640 --> 00:31:47.300

<v SPEAKER_2>Stammer in Britain has not managed to do some trade deals, but has his own.

00:31:47.300 --> 00:31:51.540

<v SPEAKER_2>I think he's 56 points underwater in terms of popularity.

00:31:52.940 --> 00:31:57.520

<v SPEAKER_2>In a year, he's lost any of the goodwill that he had when he took office.

00:31:58.100 --> 00:32:05.620

<v SPEAKER_2>So there's nobody who's strong enough to negotiate or to knock heads together across the EU.

00:32:05.620 --> 00:32:08.240

<v SPEAKER_2>And so it's going to be extremely difficult.

00:32:08.240 --> 00:32:17.440

<v SPEAKER_2>Of course, you have Hungary and other nations who would rather be nice to Russia than they would be nice to other democratic nations.

00:32:17.440 --> 00:32:23.680

<v SPEAKER_2>So that's one reason why we haven't organized ourselves.

00:32:23.680 --> 00:32:37.920

<v SPEAKER_2>And it may be it's just that we need a shock, sufficiently large shock in the global economy for democratic leaders to get their fingers out and start talking to each other about doing something without Trump.

00:32:37.920 --> 00:32:39.920

<v SPEAKER_1>What kind of shock would that be?

00:32:41.240 --> 00:32:52.420

<v SPEAKER_2>It's not impossible to imagine a recession that would follow the combination of sudden surge in inflation and much higher bond yields.

00:32:53.960 --> 00:33:00.440

<v SPEAKER_2>And I worry quite a bit about the financial sector.

00:33:00.440 --> 00:33:03.400

<v SPEAKER_2>I'm a complete skeptic on crypto.

00:33:03.400 --> 00:33:10.200

<v SPEAKER_2>And I think the encouragement of people to speculate in crypto is extremely foolish.

00:33:10.200 --> 00:33:12.740

<v SPEAKER_2>There's nothing standing behind it.

00:33:13.820 --> 00:33:18.300

<v SPEAKER_2>We are seeing signs that inflation may pick up again.

00:33:18.300 --> 00:33:21.740

<v SPEAKER_2>Gold is in its highest level ever, I think.

00:33:22.760 --> 00:33:25.020

<v SPEAKER_2>Which shows that investors are concerned.

00:33:25.020 --> 00:33:34.640

<v SPEAKER_2>So we could get a sort of conventional stagflationary shock in the next couple of years, the way that policy is going.

00:33:34.640 --> 00:33:45.240

<v SPEAKER_2>And if that led to much higher unemployment, because higher bond yields causes businesses to fail, then that's kind of thing that might force governments to think again.

00:33:45.240 --> 00:33:45.960

<v SPEAKER_1>I can only hope.

00:33:46.140 --> 00:33:54.400

<v SPEAKER_1>When you mentioned crypto, I reminded of something was a Charlie Munger, Warren Buffett said, rat poison, I think they called it, which I think is probably accurate.

00:33:54.400 --> 00:33:55.420

<v SPEAKER_1>Well, thank you.

00:33:55.420 --> 00:33:57.260

<v SPEAKER_1>This has been a sobering conversation.

00:33:58.360 --> 00:34:01.340

<v SPEAKER_1>Again, encourage people to buy the book.

00:34:01.340 --> 00:34:05.720

<v SPEAKER_1>But in the meantime, my final question to you is, what are you reading or streaming these days?

00:34:07.320 --> 00:34:08.860

<v SPEAKER_2>What am I reading or streaming these days?

00:34:08.860 --> 00:34:28.760

<v SPEAKER_2>I am reading a book called Africa, A History of Africa by an African, because I'm going to update more in the next few months, and I need to add some more stuff on African history, which more was a bit light on.

00:34:28.760 --> 00:34:39.360

<v SPEAKER_2>I've just finished Abundance by Ezra Klein, which I think is a very interesting agenda for those on the left who are trying to

oppose populace.

00:34:40.580 --> 00:34:51.080

<v SPEAKER_2>I'm hoping to read this new book about U.S.-China relations, whose name eludes me, but it's next on my buying list anyway.

00:34:51.080 --> 00:34:56.120

<v SPEAKER_2>I think you need to be looking at a wide range of things at the moment.

00:34:56.420 --> 00:35:14.280

<v SPEAKER_2>It's potentially a new era in economics, potentially a new era in geopolitics, and thus we need to be alert to the fact that the old certainties we had may disappear and to read as much about the new things that are emerging as possible.

00:35:14.280 --> 00:35:15.840

<v SPEAKER_1>Well, I encourage you to keep writing.

00:35:15.840 --> 00:35:22.600

<v SPEAKER_1>I encourage people to go to your sub stack, your column, and of course to read your new book, The Economic Consequences of Mr.

00:35:22.600 --> 00:35:26.020

<v SPEAKER_1>Trump, What the Trade War Means for the World.

00:35:26.020 --> 00:35:29.160

<v SPEAKER_1>Philip Coggan, thank you so much for joining us today.

00:35:29.160 --> 00:35:32.780

<v SPEAKER_1>You can find the Canadian Global Affairs Institute on Facebook, Twitter and LinkedIn.

00:35:32.780 --> 00:35:36.060

<v SPEAKER_1>The Global Exchange is brought to you by our team at the Canadian Global Affairs Institute.

00:35:36.540 --> 00:35:40.540

<v SPEAKER_1>My thanks to our producer, Jordyn Carroll, and to Drew Phillips for providing our music.

00:35:40.540 --> 00:35:41.900

<v SPEAKER_1>I'm Colin Robertson.

00:35:41.900 --> 00:35:44.040

<v SPEAKER_1>Thanks for joining us today on The Global Exchange.